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# ***FAA Aviation Forecasts***

## ***Fiscal Years 2003-2014***





# ***Topics for Discussion***

- **Review of 2002**
- **Economic Outlook and Industry Assumptions**
- **Aviation Forecasts**
- **Risks to Forecast**



# ***Review of 2002***

- **Domestic and International Traffic**
- **Air Carrier Finances**
- **General Aviation Activity**
- **Demand for FAA Services**



# *Economic Outlook and Industry Assumptions*



# ***Economic Outlook***

- **U.S.**

- **Modest recovery in 2003, strong growth in 2004/05**
- **Long run growth in excess of 3%**
- **Energy prices rise less than inflation**
- **Inflation remains under control**

- **World**

- **Rebound in 03 coinciding with U.S. recovery**
- **Long run growth averages 3.3%**
  - **Highest growth in Asia and Latin America**



# ***Industry Assumptions - FY 2003/04***

- **Security/Confidence - No more attacks in U.S.; confidence grows**
- **All major carriers continue to operate => no consolidation**
- **Capacity**
  - **Domestic up 0.5% in 03, 4.2% in 04**
  - **International up 3.2% in 03, 2.1% in 04**
- **Load factor improvement greater in 03 than in 04**
- **Pricing environment**
  - **Domestic - soft in 03, firmer in 04**
  - **International - soft in 03, weaker in 04**



# ***Industry Assumptions 2005-14***

- **No change in long run relationship between traffic, GDP, and yield**
- **Capacity-Large Carriers**
  - **Domestic ASM growth averages 3.2%**
    - **Seats per aircraft increase to 159**
  - **International ASM growth of 4.9%**
    - **Latin highest at 5.7% , Atlantic lowest at 4.6%**
- **Load Factor**
  - **Domestic up modestly; International peaks then falls slightly**
- **Network carriers successful in reducing unit costs => profitable with lower yield**

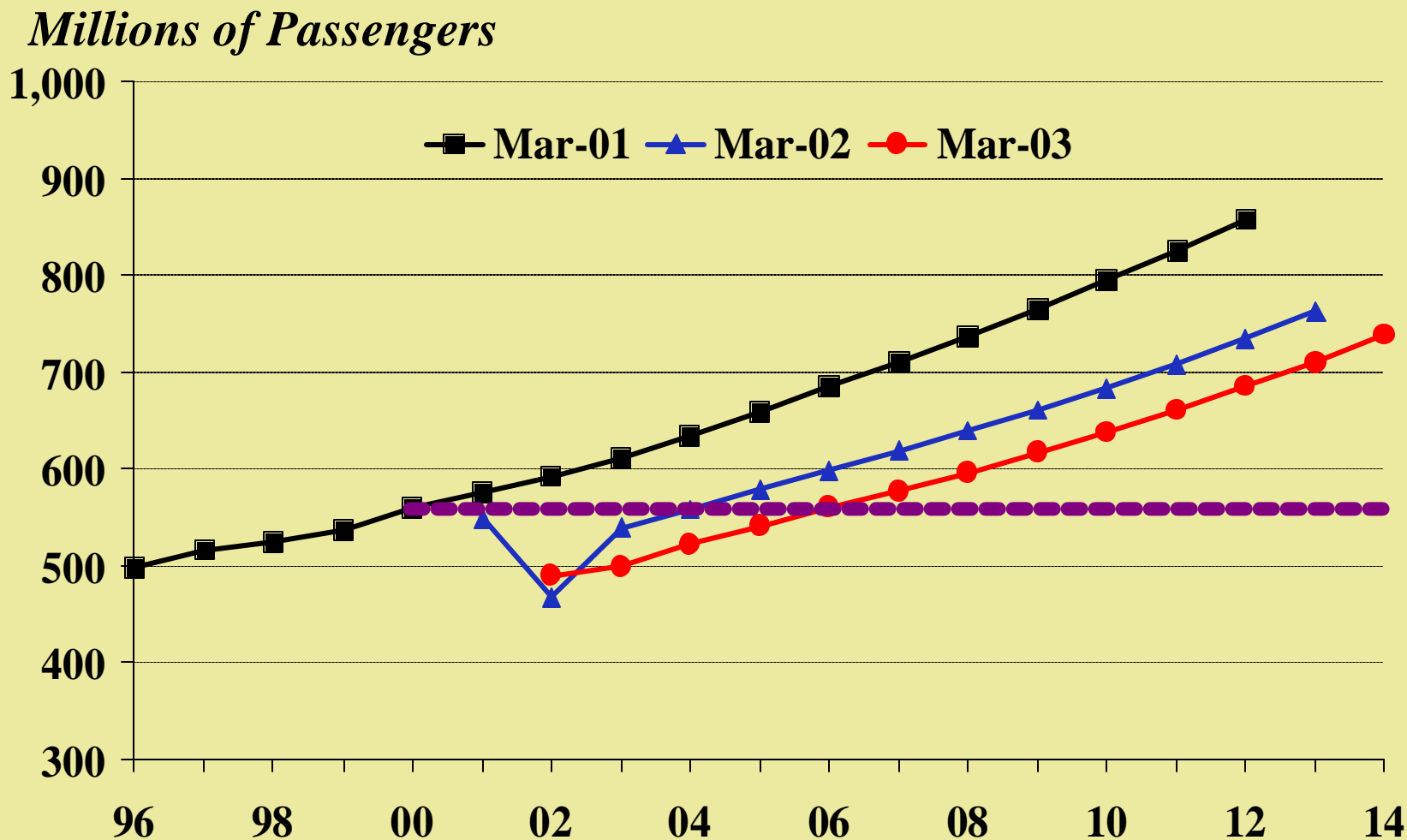




# *Aviation Forecasts*

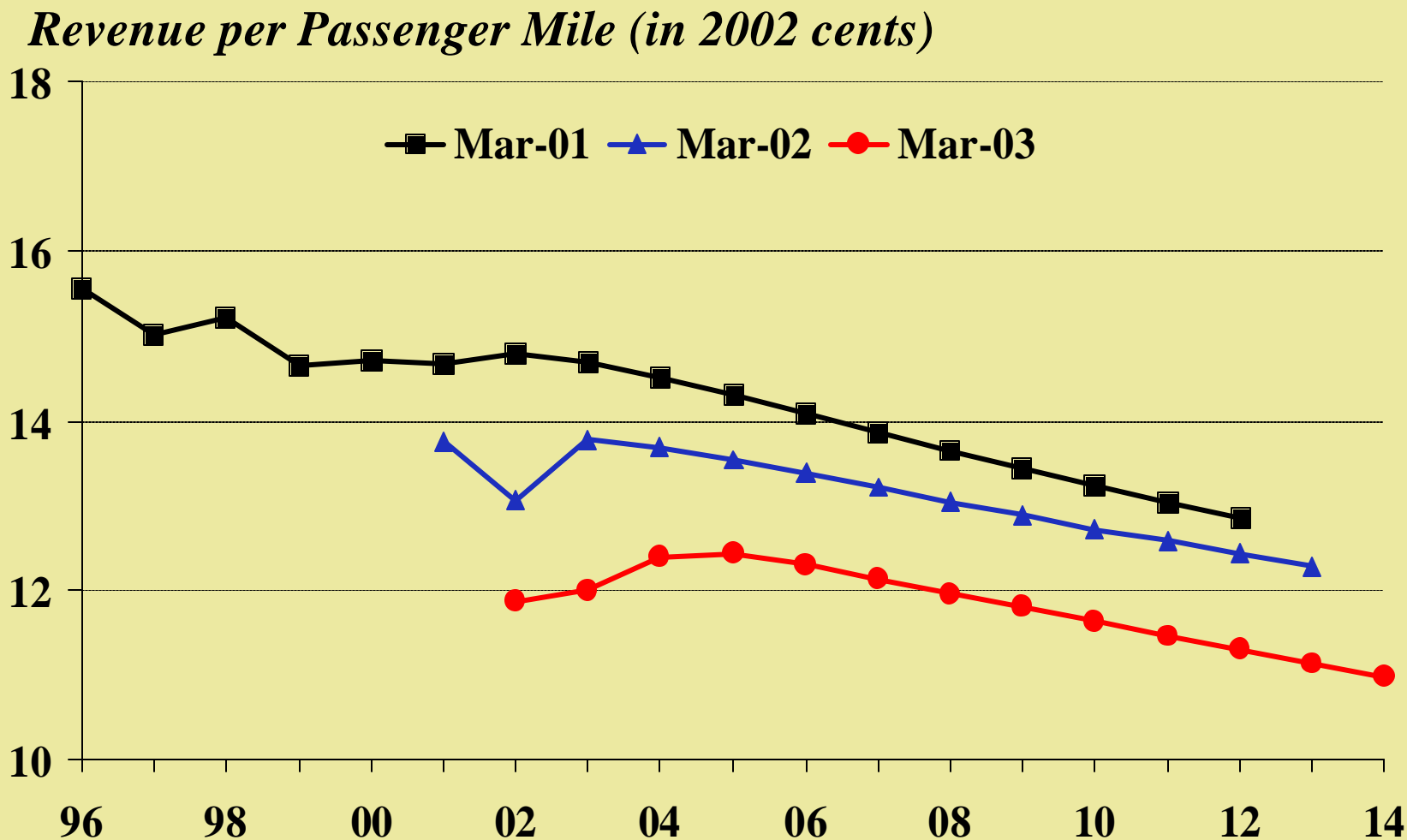


# *Domestic Large Carrier Enplanements return to pre 9/11 levels in 2006*



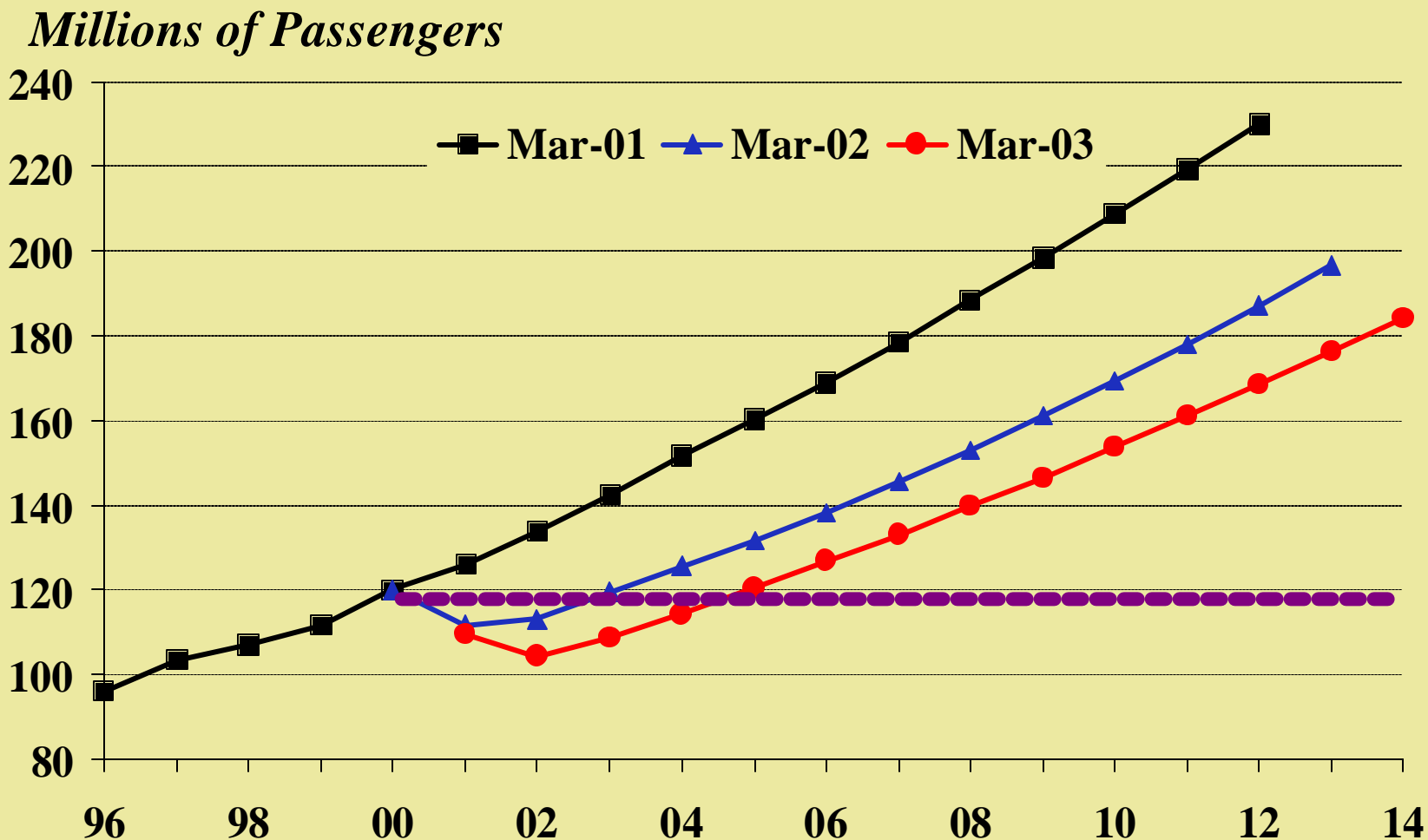


# *Domestic Real Yield up slightly in near term then resumes long run decline*





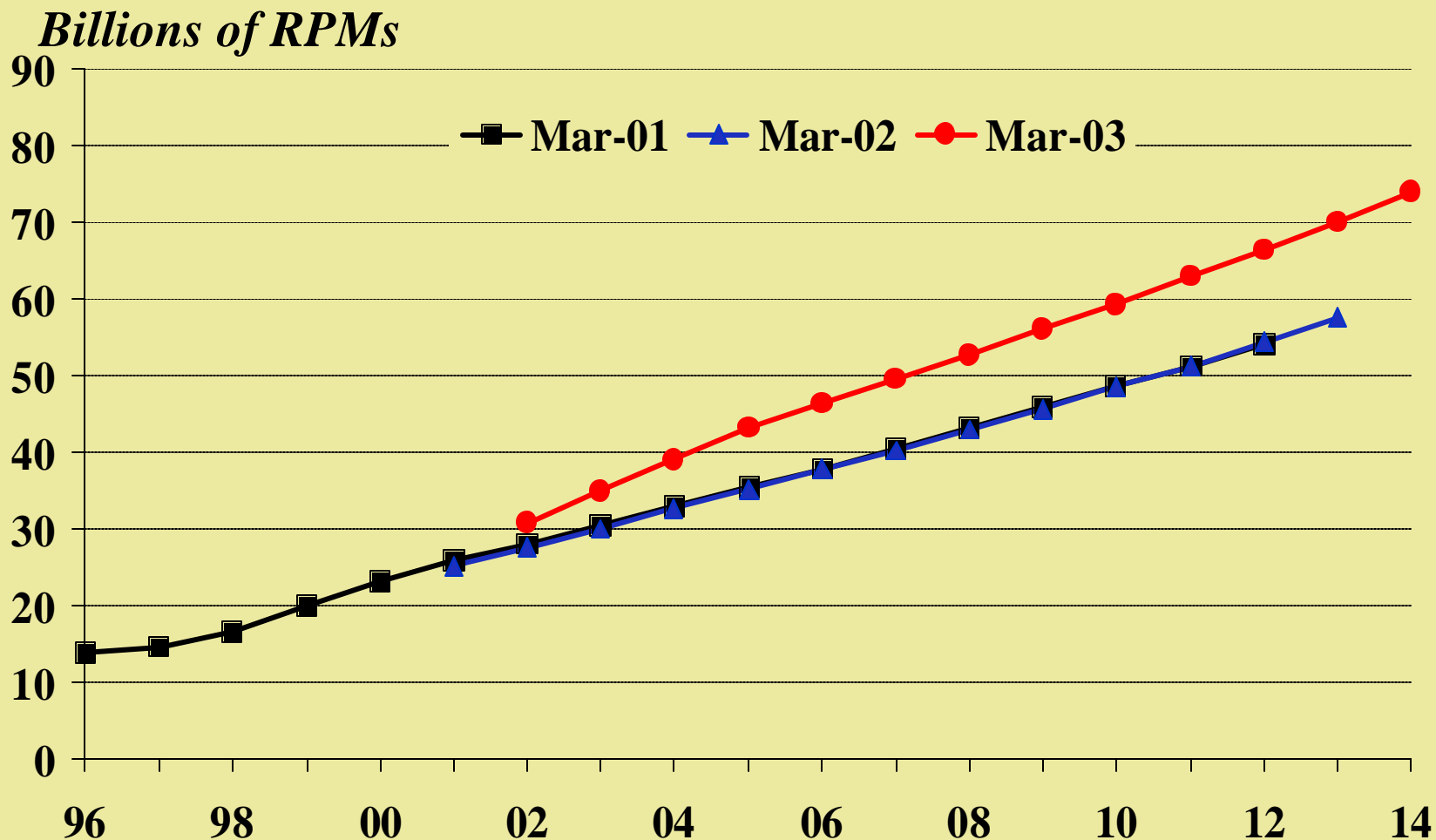
## *International\* Passengers return to pre 9/11 levels in 2004/05*



\* Excludes Canada



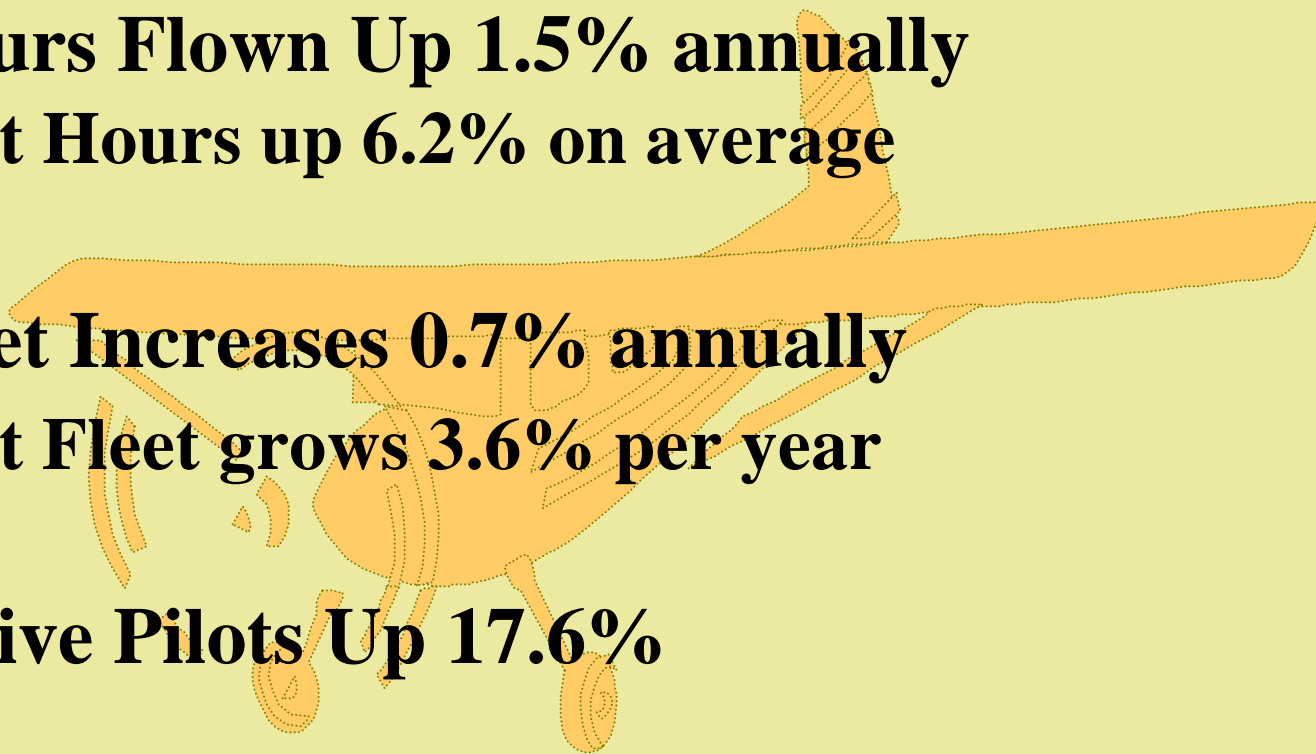
# *U.S. Regional/Commuter RPMs continue steady growth*





# ***General Aviation Growth Driven by Business Uses***

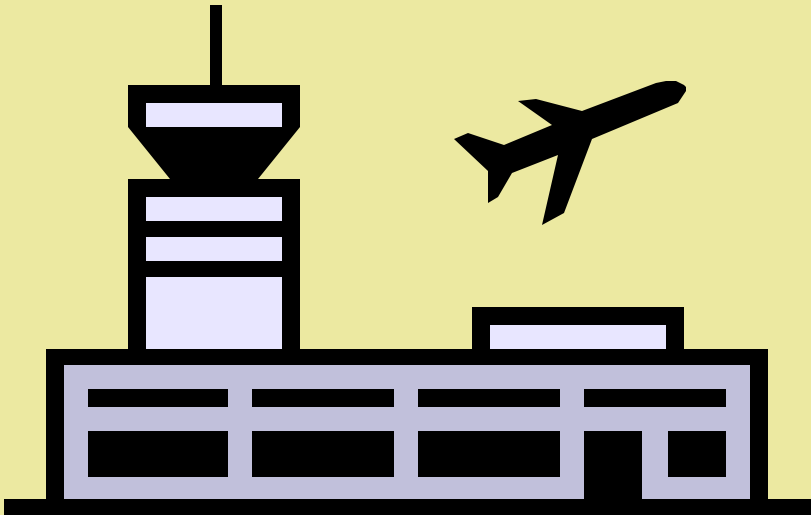
- **Hours Flown Up 1.5% annually**
  - **Jet Hours up 6.2% on average**
- **Fleet Increases 0.7% annually**
  - **Jet Fleet grows 3.6% per year**
- **Active Pilots Up 17.6%**





# ***Demand for FAA Services Increases Through 2014***

- **Tower Ops Up 22%**
- **Instrument Ops Up 25%**
- **ARTCC Activity Up 27%**





## ***Risks to Forecast***

- **Security Issues**
- **International Tensions**
- **Can network carriers cut costs enough?**
- **Return of the business traveler?**





# ***What Could Lead to Higher Long Run Forecast?***

- **Economic growth higher**
- **Business demand returns faster => Yield higher**
- **Oil prices fall more than is assumed**
- **Substantial reduction in international situations generating conflicts involving the U.S.**



# *Forecast Summary*

- **No vigorous recovery in traffic**
  - **Traffic returns to pre 9/11 levels by 2005**
- **Low Fare Carriers increase share => falling fares**
- **Rising Demand for FAA Services**
- **Downside Risks are significant**